

Quarterly rpt on consolidated results for the financial period ended 30 Jun 2018

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2018
Quarter	2 Qtr
Quarterly report for the financial period ended	30 Jun 2018
The figures	have not been audited

Attachments

 [Tower REIT-2Q Results \(30062018\).pdf](#)
875.7 kB

Default Currency **Other Currency**

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2018

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	7,196	8,875	13,950	17,679
2 Profit/(loss) before tax	3,456	4,791	6,658	10,143
3 Profit/(loss) for the period	3,456	4,791	6,658	10,143
4 Profit/(loss) attributable to ordinary equity holders of the parent	3,456	4,791	6,658	10,143
5 Basic earnings/(loss) per share (Subunit)	1.23	1.71	2.37	3.62
6 Proposed/Declared dividend per share (Subunit)	2.10	3.20	2.10	3.20
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)	1.9408		1.9451	

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen

United States	Dollar	Cent
United Kingdom	Pound	Pence

 **Announcement Info**

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	31 Jul 2018
Category	Financial Results
Reference Number	FRA-30072018-00011

**CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding
	Quarter Ended 30.06.2018	Corresponding Quarter Ended 30.06.2017	To Date 30.06.2018	Year To Date 30.06.2017
	RM	RM	RM	RM
Income				
Gross revenue	7,196,075	8,875,157	13,950,326	17,679,368
Property operating expenses	(3,174,047)	(3,394,786)	(6,183,631)	(6,299,339)
Net property income	4,022,028	5,480,371	7,766,695	11,380,029
Interest income	27,706	42,281	74,155	131,578
Other income	10,434	27,919	27,920	59,007
	4,060,168	5,550,571	7,868,770	11,570,614
Expenses				
Manager's fees	453,542	502,452	891,805	1,014,672
Trustee's fee	40,647	40,638	80,790	80,729
Administrative expenses	62,736	73,868	144,771	180,355
Interest expenses	47,720	142,346	93,561	151,545
	604,645	759,304	1,210,927	1,427,301
Net Trust Income	3,455,523	4,791,267	6,657,843	10,143,313
Change in fair value of investment properties	-	-	-	-
Income before tax	3,455,523	4,791,267	6,657,843	10,143,313
Taxation	-	-	-	-
Income after tax	3,455,523	4,791,267	6,657,843	10,143,313
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,455,523	4,791,267	6,657,843	10,143,313
Total comprehensive income for the period is made up as follows:				
- Realised	3,455,523	4,791,267	6,657,843	10,143,313
- Unrealised	-	-	-	-
	3,455,523	4,791,267	6,657,843	10,143,313
EARNINGS PER UNIT (SEN)				
- Basic	1.23	1.71	2.37	3.62

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2018 RM	Preceding Year Corresponding Quarter Ended 30.06.2017 RM	Current Year To Date 30.06.2018 RM	Preceding Year To Date 30.06.2017 RM
Statement of Income Distribution:				
Rental income	7,196,075	8,875,157	13,950,326	17,679,368
Interest income	27,706	42,281	74,155	131,578
Other income	10,434	27,919	27,920	59,007
	<u>7,234,215</u>	<u>8,945,357</u>	<u>14,052,401</u>	<u>17,869,953</u>
Less:				
Expenses	(3,778,692)	(4,154,090)	(7,394,558)	(7,726,640)
Taxation	-	-	-	-
Realised income for the period/year	<u>3,455,523</u>	<u>4,791,267</u>	<u>6,657,843</u>	<u>10,143,313</u>
Previous quarter/year undistributed realised income	60,084,627	61,072,473	64,736,307	66,183,077
Total realised income available for distribution	<u>63,540,150</u>	<u>65,863,740</u>	<u>71,394,150</u>	<u>76,326,390</u>
Less: Proposed /declared income distribution			(7,854,000)	(10,462,650)
Balance undistributed realised income	<u><u>63,540,150</u></u>	<u><u>65,863,740</u></u>	<u><u>63,540,150</u></u>	<u><u>65,863,740</u></u>

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

The figures have not been audited.

	As At 30.06.2018 RM	As At 31.12.2017 RM
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,000,000	562,000,000
<u>Current Assets</u>		
Trade receivables	1,080,931	88,325
Other receivables, deposits and prepayments	814,069	931,281
Deposits placed with licensed bank	3,650,000	3,920,000
Cash and bank balances	505,626	430,521
	6,050,626	5,370,127
TOTAL ASSETS	568,050,626	567,370,127
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	8,327,002	4,092,336
Borrowings	100,000	100,000
Deferred tax liability	10,550,000	10,550,000
	18,977,002	14,742,336
<u>Current liabilities</u>		
Trade payables	472,361	422,950
Other payables and provisions	2,029,400	1,463,087
Tenants' deposits	2,165,734	5,139,469
	4,667,495	7,025,506
TOTAL LIABILITIES	23,644,497	21,767,842
NET ASSET VALUE	544,406,129	545,602,285
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	195,521,213	195,521,213
Undistributed income - realised	63,540,150	64,736,306
	544,406,129	545,602,285
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9408	1.9451

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2018	285,344,766	195,521,213	64,736,307	545,602,286
Operations for the period ended 30 June 2018				
Net income for the year	-	-	6,657,843	6,657,843
Total comprehensive income for the year	-	-	6,657,843	6,657,843
Unitholders' transactions				
Distribution to unitholders				
- 2017 final (paid on 28 February 2018)	-	-	(7,854,000)	(7,854,000)
	-	-	(7,854,000)	(7,854,000)
At 30 June 2018	285,344,766	195,521,213	63,540,150	544,406,129
<u>Preceding Year To Date</u>				
At 1 January 2017	285,344,766	193,718,167	66,183,077	545,246,010
Operations for the period ended 30 June 2017				
Net income for the year	-	-	10,143,313	10,143,313
Total comprehensive income for the year	-	-	10,143,313	10,143,313
Unitholders' transactions				
Distribution to unitholders				
- 2016 final (paid on 28 February 2017)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
At 30 June 2017	285,344,766	193,718,167	65,863,740	544,926,673

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

The figures have not been audited.

	Current Year To Date 30.06.2018 RM	Preceding Year To Date 30.06.2017 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	6,657,843	5,352,047
Adjustments for:		
Interest expense	93,561	9,199
Interest income	(74,155)	(89,297)
Operating profit before working capital changes	<u>6,677,249</u>	<u>5,271,949</u>
Changes in working capital:		
Trade and other receivables	(875,394)	(340,817)
Trade and other payables	1,876,656	(489,211)
Net cash generated from operating activities	<u>7,678,511</u>	<u>4,441,921</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	74,155	89,297
Net cash generated from investing activities	<u>74,155</u>	<u>89,297</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(93,561)	(9,199)
Proceeds from borrowings	3,200,000	-
Repayment of borrowings	(3,200,000)	-
Distribution paid to unitholders	(7,854,000)	(10,462,650)
Net cash used in financing activities	<u>(7,947,561)</u>	<u>(10,471,849)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(194,895)	(5,940,631)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,050,521</u>	<u>7,868,385</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,855,626</u>	<u>1,927,754</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	505,626	157,754
Deposits placed with licensed financial bank	3,650,000	2,070,000
	<u>4,155,626</u>	<u>2,227,754</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>3,855,626</u>	<u>1,927,754</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to the Malaysian Financial Reporting Standard ("MFRS") 134

A1. Basis of Preparation

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2017.

Changes in Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 31 December 2017. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The initial application of the accounting standard, amendment and interpretation is not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in profit or loss.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2017 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Trust were not affected by any seasonal or cyclical factors for the quarter under review.

A4. Unusual Items

There were no unusual items to be disclosed for the quarter under review.

A5. Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or in Prior Financial Years

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial years that have had a material impact in the current financial period.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and the financial year to-date.

A7. Income Distribution Paid During the Financial Period

The Trust had, on 28 February 2018, paid a final income distribution of 2.80 sen per unit, amounting to RM7,854,000 for the financial year ended 31 December 2017.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment.

A9. Valuation of Investment Properties

The valuation of Menara HLA and HP Towers had been brought forward without any amendment from the previous audited financial statements.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 June 2018 are as follows::

	RM
Long term borrowings	
Secured	100,000
Unsecured	-
	<u>100,000</u>

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

There were no material events subsequent to the end of the quarterly period.

A12. Changes in the Composition of the Trust

There was no change in the composition of the Trust during the current quarter, and the fund comprised of 280,500,000 units.

A13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed.

B. Additional Information pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

For the current quarter ended 30 June 2018, the Trust recorded gross revenue of RM7.20 million and a net realised income of RM3.46 million, representing a decrease of 18.9 % and 27.9% respectively as compared to the corresponding quarter in the preceding year.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to lower occupancy rate in HP Towers and Menara HLA.

B2. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the quarter under review.

B3. Changes in Portfolio Composition

As at 30 June 2018, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	342,000	61
HP Towers	220,000	39
	562,000	100

B4. Changes in Net Asset Value

	As at 30.6.2018 RM	As at 31.3.2018 RM
Net asset value ("NAV")	544,406,128	540,950,605
NAV per unit	1.9408	1.9285

The NAV per unit as at 30 June 2018 was higher as compared to the immediate preceding quarter as a result of higher undistributed realised income.

B5. Changes in Unit Price

On 30 June 2018, Tower REIT's unit price was last traded at RM0.98 per unit (RM1.01 as at 31 March 2018).

B6. Utilisation of Proceeds Raised from any Issuance of New Units

There was no issuance of new units during the quarter under review.

B7. Circumstances Affecting Interest of the Unitholders

There were no unusual circumstances which had materially affected the interest of the unitholders for the current quarter.

B8. Review of Office Property Market

Both office occupancy and rental rates continue to face strong challenges due to the incoming supply of buildings and coupled by limited demand growth.

B9. Prospects

The business prospects will continue to be challenging due to the oversupply situation. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise return to unitholders.

B10. Material Litigation

There was no material litigation as at the date of this report.

B11. Major Maintenance Cost and Capital Expenditure

There were no major maintenance costs and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 30 June 2018, the Manager did not receive any soft commission (i.e. goods and services) from its brokers or dealers by virtue of transaction conducted by the Trust.

B13. Revenue Recognition

i) Rental Income

Rental from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease unless collection is in doubt, in which case, it is recognised on a receipt basis.

As at 30 June 2018, Rental Income composition of leasing income and non-leasing income are as follows:

	As at 30.6.2018	As at 30.6.2017
	RM	RM
Leasing income	5,288,294	6,637,697
Non-leasing income (service charge)	1,907,781	2,237,460
Rental Income	<u>7,196,075</u>	<u>8,875,157</u>

ii) Car Park Income

Rental/car park income is recognised on an accrual basis except where default in payment of rent has occurred and rent dues remain outstanding for over six months, in which case, recognition of rental/car park income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

iii) Interest Income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

B14. Manager's Fees

Pursuant to the Deed constituting Tower REIT, the Manager's fees shall consist of:-

- (1) a base fee (excluding any Goods and Services Tax payable) of up to 0.75% per annum of the gross asset value;
- (2) a performance fee (excluding any Goods and Services Tax payable) of up to 4.00% per annum of the net property income, but before deduction of property management fees payable;
- (3) an acquisition fee of 1.00% of the acquisition price of any assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold or divested.

The total base fee and performance fee for the period ended 30 June 2018 of RM620,235 and RM271,570 respectively were 0.11% and 3.36% of the gross asset value and net property income respectively.

B15. Trustee's Fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee (excluding any Goods and Services Tax payable) of up to 0.03% per annum of the audited net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 30 June 2018 is RM80,790.

B16. Tax Expense

	Current Year to Date 30.6.2018 RM'000	Preceding Year to Date 31.6.2017 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	6,658	10,143
Income tax using Malaysian tax rate of 24% (2017: 24%)	1,598	2,434
Non-deductible expenses	201	236
Effect of income exempted from tax	(1,799)	(2,670)
Tax expense	-	-

B17. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 2.10 sen per unit, amounting to RM5,890,500 (3.20 sen per unit, amounting to RM8,976,000 in previous corresponding period), representing approximately 88.5% of the realised distributable net income for the six-month period ended 30 June 2018, payable on 30 August 2018 to the unitholders registered in the Record of Depositors on 15 August 2018.

B18. Units held by Related Parties

As at 30 June 2018, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 30.06.2018	
	Number of Units '000	Market Value** RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	59,553
Hong Leong Assurance Berhad	57,771	56,616
Asia Fountain Investment Company Limited	14,000	13,720
Associated Land Sendirian Berhad	13,409	13,141
Hong Leong Investment Bank Berhad	5,887	5,769
Dato' Poh Yang Hong	3,085 *	3,023

* Indirect unitholdings.

** The market value is determined by multiplying the number of units with the market price of RM0.98 per unit as at 30 June 2018.

B19. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, the quarterly financial report gives a true and fair view of the financial position of Tower REIT as at 30 June 2018 and of its financial performance and cash flows for the period ended 30 June 2018.

**By Order of the Board
GLM REIT Management Sdn Bhd
(as the Manager of Tower Real Estate Investment Trust)**

**CHEW ANN NEE
Secretary**

**Kuala Lumpur
31 July 2018**

Income Distribution

TOWER REAL ESTATE INVESTMENT TRUST

EX-date	13 Aug 2018
Entitlement date	15 Aug 2018
Entitlement time	04:00 PM
Entitlement subject	Income Distribution
Entitlement description	Interim Income Distribution of 2.10 sen per unit, taxable in the hands of unitholders.
Period of interest payment	to
Financial Year End	31 Dec 2018
Share transfer book & register of members will be	to closed from (both dates inclusive) for the purpose of determining the entitlement
Registrar or Service Provider name, address, telephone no	Hong Leong Share Registration Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur Tel: 03-21641818
Payment date	30 Aug 2018
a. Securities transferred into the Depositor's Securities Account before 4:00 pm in respect of transfers	15 Aug 2018
b. Securities deposited into the Depositor's Securities Account before 12:30 pm in respect of securities exempted from mandatory deposit	
c. Securities bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.	
Number of new shares/securities issued (units) (If applicable)	
Entitlement indicator	Currency
Currency	Malaysian Ringgit (MYR)
Entitlement in Currency	0.021
Par Value (if applicable)	

Remarks :

This announcement is dated 31 July 2018.

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	31 Jul 2018
Category	Entitlement(Notice of Book Closure)
Reference Number	ENT-30072018-00011

NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE

TOWER REAL ESTATE INVESTMENT TRUST

Type	Announcement
Subject	NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE
Description	Tower Real Estate Investment Trust - Net Asset Value ("NAV")

The NAV per unit of Tower Real Estate Investment Trust as at 30 June 2018 is RM1.9408.

This announcement is dated 31 July 2018.

Announcement Info

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	31 Jul 2018
Category	General Announcement for PLC
Reference Number	GA1-30072018-00064